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Genscript Biotech Corporation

金斯瑞生物科技股份有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1548)

**DISCLOSEABLE TRANSACTION:
INVESTMENT AND COOPERATION AGREEMENT FOR
INVESTMENT IN TARGET COMPANY**

The Board is pleased to announce that on April 6, 2016 after trading hours, Nanjing Bestzyme (a wholly-owned subsidiary of the Company) entered into the Investment and Cooperation Agreement with the Target Company, Mr. Guo and Mr. Han, in relation to the investment by the Group in the Target Company by way of capital injection in the Target Company, which shall result in the Group holding 51% equity interests in the Target Company upon completion of the Investment. The Consideration payable by the Group is RMB53,000,000 (equivalent to approximately HK\$63,070,000).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Target Company and its ultimate beneficial owners, including Mr. Guo and Mr. Han, is an Independent Third Party.

The Target Company is a company established in the PRC and is principally engaged in the production and sales of feed additives, industrial enzymes, food additives, research, production and sales of microorganisms.

This announcement is also made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions.

IMPLICATIONS UNDER THE LISTING RULES

Given that two of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Investment exceed 5% and all applicable percentage ratios are less than 25%, the investment constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

THE INVESTMENT AND COOPERATION

The Board is pleased to announce that on April 6, 2016 after trading hours, Nanjing Bestzyme entered into the Investment and Cooperation Agreement with the Target Company, Mr. Guo and Mr. Han, in relation to the investment by the Group in the Target Company by way of capital injection in the Target Company, which shall result in the Group holding 51% equity interests in the Target Company upon completion of the Investment, at the Consideration.

The major terms of the Investment and Cooperation Agreement are set out below:

Date

April 6, 2016 (after trading hours)

Parties

- (1) Nanjing Bestzyme;
- (2) the Target Company;
- (3) Mr. Guo; and
- (4) Mr. Han.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Target Company and its ultimate beneficial owners, including Mr. Guo and Mr. Han, is an Independent Third Party.

Subject matter

The Investment

Immediately prior to the Investment, the registered capital of the Target Company was RMB10,000,000 which had been fully paid up. The Target Company was owned as to 80% by Mr. Guo; and 20% by Mr. Han as at the date of this announcement.

Pursuant to the Investment and Cooperation Agreement, Nanjing Bestzyme agreed to invest in the Target Company through capital injection of RMB53,000,000 (the “**Consideration**”) (equivalent to approximately HK\$63,070,000) in the Target Company, which will result in the Company indirectly holding 51% equity interests in the Target Company upon completion of the Investment, at the Consideration.

Basis of the Consideration

The total consideration of the Investment is arrived at after arm’s length negotiations between the parties to the Investment and Cooperation Agreement based on (i) the valuation of the Target Company (as RMB104,000,000 (equivalent to approximately HK\$123,760,000)) on the basis of its ready production capacity that will handily address the Group’s requirements of production capability for industry enzyme products; (ii) the future prospects of the Target Company; and (iii) other factors as set out in the paragraph headed “REASONS FOR AND BENEFITS OF THE INVESTMENT” below. Accordingly, the Directors are of the view that the consideration for the Investment is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Payment of the Consideration

The Consideration shall be paid by Nanjing Bestzyme as follows:

- (i) within ten (10) Business Days from the signing of the Investment and Cooperation Agreement, Nanjing Bestzyme shall pay a deposit amounting to RMB5,300,000 to a designated account (the “**Designated Account**”) opened in the name of the Target Company and jointly controlled by Nanjing Bestzyme and the Target Company;
- (ii) within ten (10) Business Days upon the satisfaction of the Conditions Precedent, Nanjing Bestzyme shall pay the remaining RMB47,700,000 to the Designated Account; and
- (iii) the Designated Account shall be maintained and controlled by the Target Company upon the completion of the AIC Registration.

Prior to Completion, the parties to the Investment and Cooperation Agreement shall complete and confirm the audit of the assets of the Target Company as the final basis of the Consideration. The Consideration shall be payable in cash and will be funded by the Group with its internal resources.

Conditions precedent to the Investment

Completion is conditional upon the satisfaction of, inter alia, the following conditions precedent:

- (i) opening of the Designated Account by the Target Company;
- (ii) within twenty (20) Business Days from the signing of the Investment and Cooperation Agreement, the shareholding of the Target Company having been properly adjusted so that there will not be any disputes or Shares held on trust;
- (iii) the list of rectification work recommended by the professional advisers to Nanjing Bestzyme having been undertaken by the Target Company;
- (iv) the shareholders of the Target Company having unanimously approved the Investment, authorized the entering into of the Investment and Cooperation Agreement as well as all documents in relation to the Investment and adopted the new memorandum and articles of association of the Target Company;
- (v) all the representation and warranties being true, complete and accurate and each of the Company and there being no happening of events which may have material adverse effects on the financial conditions, operations, properties, conditions or prospects of the Target Group; and
- (vi) there being no relevant government authority or applicable laws which limit, prohibit or otherwise restrict the Completion.

The conditions precedent shall be fulfilled not later than May 18, 2016.

Completion

Subject to fulfillment and/or waiver of the conditions precedent and the same being unrevoked up to Completion Date, Completion shall take place within the ten (10) Business Days after the date on which the conditions precedent are satisfied or waived by Nanjing Bestzyme.

Immediately after completion of the Investment, the Company will indirectly own 51% equity interests in the Target Company. The Target Company will become an indirect subsidiary of the Company and its financial performance will be consolidated into the financial statements of the Company.

Management of the Target Company

Business scope of the Target Company

Upon Completion, the Target Company shall specialize in the production and sales of feed enzymes. The existing projects of the Target Company that are unrelated to feed enzymes shall be transferred to Nanjing Bestzyme at a fee to be mutually agreed.

Board Composition

Upon Completion, the board of the directors of the Target Company shall compose of five (5) members, three (3) of which shall be nominated by Nanjing Bestzyme and two (2) of which shall be nominated by Mr. Guo. Mr. Guo shall act as the chairman of the board of the directors of the Target Company.

Matters requiring the approval of at least two-thirds (2/3) of the directors of the Target Company

The following matters will require the approval of at least two-thirds (2/3) of the directors of the Target Company:

- (i) any increase or reduction of the registered share capital of the Target Company and issuance of bonds;
- (ii) any division, merger, dissolution or change in corporate form of the Target Company;
- (iii) any change in the business direction of the Target Company;
- (iv) any investment or financing decision involving an amount of RMB10,000,000 or above; and
- (v) any operational decision involving an amount of RMB5,000,000 or above.

Appointment of CEO and General Manager

Upon Completion, Nanjing Bestzyme shall be entitled to nominate the chief executive officer (the “**CEO**”) and the general manager of the Target Company. The Original Equity Holders shall be entitled to nominate the CEO if the CEO nominated by Nanjing Bestzyme fails to satisfy the performance targets set by the shareholders of the Target Company within two (2) years upon Completion. The general manager appointed by Nanjing Bestzyme shall act as the legal representative of the Target Company.

Restructuring of the R&D

Upon Completion, the Target Company shall conduct an internal restructuring of its research and development (“**R&D**”) department such that the R&D team for feeding enzyme continues to stay in the Target Company while other research and technology development staff will be transferred to be employed by Nanjing Bestzyme.

Put Option

Nanjing Bestzyme is granted a put option (the “**Put Option**”) to require the Target Company and the Original Equity Holder to purchase the Shares (or any part thereof) held by Nanjing Bestzyme at the put option exercise price (the “**Put Option Exercise Price**”) in accordance with the terms and conditions of the Investment and Cooperation Agreement.

Exercise of the Put Option

The Put Option is exercisable by Nanjing Bestzyme upon happening of the following events:

- (i) any fraudulent representation or fraudulent breach of warranties and undertakings by the Target Company or the Original Equity Holders (including without limitation material omission or inaccuracy of the financial or legal documents provided to Nanjing Bestzyme); or
- (ii) there is any undisclosed material debt of the Target Company or any breach of the material obligation of the Target Company which adversely affects its operation.

Put Option Exercise Price

The Put Option Exercise Price shall be calculated as follows:

$$P = M (1 + 12\%)^T - H$$

WHERE

P = the Put Option Exercise Price;

M = the Consideration paid by Nanjing Bestzyme;

T = (i) the number of calendar days from the Completion Date to the date of the closing of the Put Option, divided by (ii) 365;

H = the cash compensation to be paid by the Original Equity Holders to Nanjing Bestzyme for their breach of representations, warranties and undertakings of the Investment and Cooperation Agreement by the Original Equity Holders.

Other Rights and Undertakings of Nanjing Bestzyme

Pursuant to the Investment and Cooperation Agreement, Nanjing Bestzyme shall, inter alia,:

- (i) enjoy the pre-emptive right in the event of any proposed transfer of equity interest in the Target Company by its Original Equity Holders;
- (ii) be entitled to share the profits of the Target Company in proportion to its equity interest in the Target Company;
- (iii) provide support to the Target Company in respect of the production and sales of feeding enzymes and development of new products;
- (iv) transfer its self-developed feeding enzymes to the Target Company for production and commercialization upon receiving a research and development fee to be mutually agreed; and
- (v) not engage or invest in any business competing with the Target Company otherwise conducted through the Target Company.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a company established in the PRC and is principally engaged in the production and sales of feed additives, industrial enzymes, food additives, research, production and sales of microorganisms.

FINANCIAL INFORMATION ON THE TARGET COMPANY

Based on the audited financial statements of the Target Company prepared in accordance with the Chinese Accounting Standards for Business Enterprises, the audited net asset value, the audited profits (losses) of the Target Company for the two years ended 31 December 2014 and 31 December 2015 are as follows:

	For the year ended 31 December	
	2014	2015
	<i>RMB</i>	<i>RMB</i>
Net asset value	17,391,421.13	22,072,520.53
Net profits (losses) before tax	1,282,615.22	6,463,857.83
Net profits (losses) after tax	<u>1,004,606.32</u>	<u>4,681,099.40</u>

Upon Completion, the Target Company will become a subsidiary of the Company.

INFORMATION ABOUT THE GROUP

The Group is a life sciences research and application service and product provider. The services and products include (i) life sciences research services, (ii) life sciences research catalog products, (iii) preclinical drug development services, and (iv) industrial synthetic biology products.

REASONS FOR AND BENEFITS OF THE INVESTMENT

The Group is a life sciences research and application service and product provider. The Group has launched the industrial synthetic biology product segment since 2013 and produced a series of industrial enzyme products. The Group has been outsourcing the large-scale industrial production and formulation processes to third-party outsourced suppliers. The Target Company has been engaged as one of the third-party outsourced suppliers of the Group since October 2014 for the production of the feed enzymes. The Target Company has strong production capacity and satisfactory historical performance.

The Investment is in line with the Group's strategy in expanding its industrial synthetic biology product lines into other areas of the feed industry. It is anticipated that through the Investment, the Group can benefit from more scalable manufacturing facility and further bolster its business in feed enzyme products manufacturing and sales, thus enhancing the economic return to the Group's industrial synthetic biology product business in the long term. This offers a promising prospect for the cooperation between the Group and the Target Company and is of strategic significance to the Group's development.

Taking into account the above factors, the Directors believe that the terms of the Investment and Cooperation Agreement are fair and reasonable and the Investment will be in the interests of the Group and the shareholders of the Company as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Given that two of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Investment exceeds 5% and all applicable percentage ratios are less than 25%, the investment constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As the Investment is conditional upon satisfaction of the conditions precedent as set out under the section headed "Conditions Precedent" in this announcement, the Investment may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"AIC Registration"	the registration of the equity changes with applicable administration for industry and commerce
"Board"	the board of Directors
"China" or the "PRC"	the People's Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	Genscript Biotech Corporation(金斯瑞生物科技股份有限公司*) (stock code: 1548), a limited company incorporated in the Cayman Islands and the Shares of which are listed on the Main Board of the Stock Exchange

“Completion”	the completion of the Investment
“Completion Date”	the date of the Completion
“connect person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration of the Investment payable by the Group
“Designated Account”	the bank account to be opened in the name of the Target Company and jointly controlled by Nanjing Bestzyme and the Target Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party independent of the Company and connected persons of the Company
“Inside Information Provisions”	has the meaning ascribed to it under the Listing Rules
“Investment”	the investment by the Group in the Target Company by way of capital injection in the Target Company which shall result in the Group holding 51% equity interests in the Target Company upon completion thereof
“Investment and Cooperation Agreement”	the investment and cooperation agreement dated April 6, 2016 entered into between Nanjing Bestzyme, the Target Company, Mr. Guo and Mr. Han in respect of the Investment
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

“Mr. Guo”	Mr. Guo Fangkun* (郭芳坤), an equity holder holding 20% equity interest in the Target Company prior to the Investment, and an Independent Third Party
“Mr. Han”	Mr. Han Bing* (韓冰), an equity holder holding 20% equity interest in the Target Company prior to the Investment, and an Independent Third Party
“Nanjing Bestzyme”	Nanjing Bestzyme Bioengineering Co., Ltd.* (南京百斯杰生物工程有限公司), a company established in the PRC with limited liability on June 6, 2013, which is an indirect wholly-owned subsidiary of the Company
“Original Equity Holders”	Mr. Guo and Mr. Han
“percentage ratios”	the percentage ratios set out in the Rule 14.07 of the Listing Rules, being assets ratio, profits ratio, revenue ratio, consideration ratio and equity capital ratio
“Put Option”	the put option granted to Nanjing Bestzyme pursuant to the Investment and Cooperation Agreement
“Put Option Exercise Price”	the price payable to Nanjing Bestzyme upon the exercise of the Put Option
“RMB”	Renminbi, the lawful currency of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Jinan Nornoon Biological Engineering Co., Ltd* (濟南諾能生物工程有限公司), a company established under the laws of the PRC
“%”	per cent.

* *for identification purposes only*

In this announcement, amounts in RMB are converted to HK\$ at the exchange rate of RMB1 to HK\$1.19. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By Order of the Board
Genscript Biotech Corporation
Dr. Zhang Fangliang
Chairman

Hong Kong, April 6, 2016

As at the date of this announcement, our executive Directors are Dr. ZHANG Fangliang, Ms. WANG Ye, and Mr. MENG Jiange; our non-executive Directors are Dr. WANG Luquan, Mr. HUANG Zuie-Chin, and Mr. PAN Yuexin; and our independent non-executive Directors are Mr. GUO Hongxin, Mr. DAI Zumian, and Ms. ZHANG Min.